

Message Text

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ACTION AID-59

INFO OCT-01 CIAE-00 COME-00 EB-11 FRB-02 INR-09 NSAE-00

RSC-01 TRSE-00 XMB-07 EA-11 EUR-25 ADP-00 L-03 CEA-02

IO-13 NEA-10 OPIC-12 CIEP-02 LAB-06 SIL-01 SAL-01

OMB-01 DODE-00 RSR-01 /178 W
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R 090520 Z MAR 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 2250

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY SINGAPORE

USMISSION OECD PARIS

C O N F I D E N T I A L TOKYO 2779

ADCOR

FOR STATE/ AID

E. O. 11652: GDS

TAGS: EAID JA ID

SUBJ: GOJ UNTYING OF ECONOMIC ASSISTANCE: INDONESIA

REF JAKARTA 1904

SUMMARY: FONOFF CONFIRMS GOJ- GOI INITIALLING OF EXCHANGE
OF NOTES AND LOAN AGREEMENT ON \$238 MILLION " LOAN- FOR- OIL "
CREDIT. SIGNATURE WILL PROBABLY TAKE PLACE AT END OF
MARCH AT WHICH TIME LIST OF FIRST TRANCHE OF 17 PROJECTS
WILL BE MADE AVAILABLE. ELIGIBLE SOURCE COUNTRIES WILL
BE OECD/ DAC MEMBERS PLUS NZ AND LDC' S INCLUDING INDONESIA.
END SUMMARY.

1. IN DISCUSSION WITH YATABLE, HEAD, FIRST ECONBCIC
COOPERATION BUREAU, FONOFF, LATTER CONFIRMED TO EMBOFF
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PRESS REPORT FROM JAKARTA THAT GOJ AND GOI HAD INITIALLED NOTES AND LOAN AGREEMENT ON YEN 62 BILLION " LOAN- FOR- OIL " CREDIT OF LAST MAY . (WITH DOLLAR DEVALUED, EQUIVALENT DOLLAR AMOUNT NOW ABOUT \$238 MILLION, RATHER THAN \$207 MILLION WHEN FIRST AGREED UPON.) YATABE EXPRESSED IRRITATION WITH GOI ANNOUNCEMENT (SUDHARMONO) OF ACTION SINCE DURING DISCUSSIONS IN TOKYO, BOTH SIDES HAD AGREED TO KEEP INITIALING CONFIDENTIAL UNTIL FINAL AGREEMENT ON OIL SALES CONCLUDED IN PRIVATE SECTOR AND DIET' S BUDGET DELIBERATIONS IN LOWER HOUSE FINISHED, BOTH OF WHICH SHOULD OCCUR BY END OF MONTH. YATABE ANTICIPATED ACTUAL SIGNATURE WOULD TAKE PLACE THEN.

2. PROCUREMENT WILL BE ON WORLDWIDE BASIS, I. E., FROM MEMBER COUNTRIES OF OECD/ DAC PLUS NEW ZEALAND AND LDC' S INCLUDING INDONESIA ITSELF. NO PREFERENCE MARGIN WILL BE ACCORDED INDONESIAN SUPPLIERS.

3. TOTAL AMOUNT OF YEN 62 BILLION WILL BE DIVIDED INTO TWO OR THREE TRANCHE WITH FIRST TRANCHE BEING YEN 23 BILLION. THIS AMOUNT MUST BE COMMITTED AND DISBURSED WITHIN FOUR YEARS OF SIGNATURE OF LOAN AGREEMENT. DURING JFY 1973 (APRIL 1, 1973 TO MARCH 31, 1974) THIS LEVEL WILL ALSO REPRESENT MAXIMUM AMOUNT OF GOJ COMMITMENTS. SIXTEEN SPECIFIC UNIT PROJECTS WILL BE FINANCED UNDER FIRST TRANCHE WHILE A SEVENTEENTH PROJECT WILL BE COMPRISED OF SEVERAL SMALLER PROJECTS. YATABE SAID LIST OF PROJECTS WILL BE MADE AVAILABLE TO PUBLIC FOLLOWING LOAN SIGNATURE.

4. GOI WILL ISSUE TENDERS FOR PROJECTS. YATABE SAID THAT THERE WAS CONSIDERABLE DISAGREEMENT BETWEEN GOJ AND GOI ON PRINCIPLE OF TENDERING. JAPANESE URGED " INTERNATIONAL TENDERING PROCEDURES " ALONG LINES OF IFI' S WHILE INDONESIANS EMPHASIZED " FLEXIBILITY OF PROCUREMENT." IN END, AGREEMENT REFERS TO USE OF " INTERNATIONAL TENDERING PROCEDURES IN PRINCIPLE " WHICH YATABE SAID WILL PERMIT GOI SOME LATITUDE. YATABE ALSO NOTED THAT JAPANESE CREDIT- EXTENDING INSTITUTION, OECF, RETAINS RIGHT OF VETO OVER GOI SELECTION SUCCESSFUL TENDERER.

5. YATABE SAID THAT THE PROCEDURES TO IMPLEMENT THE UNTIED LOAN TO INDONESIA WOULD NOT BE A PRECEDENT FOR GOJ REGULA-
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TIONS TO BE ESTABLISHED FOR THE UNTIED LOAN TO THAILAND AND

OTHER LOANS WHICH MAY BE UNTIED.

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